



Project Management and Construction Claims Services

March 24, 2020

As COVID-19 continues to impact the construction industry, not only in terms of the health of its workers, but also in terms of project schedule and cost, Revay would like to remind all our clients of the importance of keeping detailed daily records of the events and their impacts on your projects.

Over the past few weeks, we are aware that construction projects have started to experience issues as a result of the COVID-19 pandemic, such as:

- Manpower challenges – higher levels of absenteeism due to sickness, isolation, or concern of contamination;
- Material challenges – late or no deliveries from suppliers;
- Lost time due to the implementation of new health and safety measures and procedures, along with requirements for reduced workforces and social distancing;
- Union directives for workers to abandon work sites;
- Impact on crews in the event of a fellow worker testing positive for COVID-19;
- Delays to permits or other approvals resulting from altered work schedules at the government level;
- Reduced presence or absence of owners / owner representatives on site to make decisions, approve submittals, complete inspections, etc.;
- Delayed approval to start work;
- Delayed certifications and payments;
- Travel restrictions;
- Increased cost of materials;
- Governmental ordinances, including partial or complete work stoppages; and
- Generalized loss of productivity due to the above.

As the situation worsens, governmental bodies, and in some cases owners, have already shut down, or are contemplating the shut down of, construction sites across Canada. In this event, projects may incur additional costs, such as:

- Direct costs to decommission, secure, and demobilize sites;
- Site maintenance costs during the shutdown period (security, public safety, weather protection, signage, etc.); and
- Material and equipment storage and preservation.

When the situation stabilizes and on-site work can resume, the following impacts may also be experienced:

- Remobilization costs;
- New learning curve due to onboarding of new resources;
- Additional costs due to damages or vandalism;

- Resequencing of work, including seasonal considerations;
- Labor resource and material availability as the industry ramps up;
- Escalation of labor and materials costs; and
- Issues with the financial health of the industry (suppliers, subcontractors, and contractors).

In view of the uncertainty in the industry, we encourage our clients to be proactive in identifying and documenting all issues encountered related to the COVID-19 situation as soon as they occur. This includes recording lost time and additional costs as accurately as possible in daily reports, correspondence and progress reports. It is also essential, of course, that all parties be mindful of contract notification periods. Since COVID-19 is now a known issue, it will be imperative for parties entering into new contracts, or raising new change orders, to consider the related risks and adjust their contracts accordingly.

Given the exceptional situation we find ourselves in, it is not yet clear how all the lost time and additional costs will be resolved contractually. The associated costs and time impacts will no doubt be a challenge for all involved. As the industry navigates the COVID-19 situation, we remind you that good project management and contract administration practices will be more important than ever before, as they will serve to alleviate the complexity of disputes arising from the impacts of COVID-19 for all parties.

Finally, we want to assure you that we are here for you. Overcoming this unique situation will be challenging for our industry, and Revay remains available to address any needs and concerns you have regarding your projects.

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